UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA
HAMMOND DIVISION

State of Indiana, et al.	)	
	)	
Plaintiffs,	)	
	)	
v.	)	No. : 3:04-CV-0506
	)	
Robert A. Pastrick, et al.	)	
	)	
Defendants.	)	

PLAINTIFFS' MEMORANDUM ON DAMAGES AND INJUNCTIVE RELIEF

Plaintiffs, by and through Special Deputy Attorneys General Patrick M. Collins, Joel R. Levin and G. Robert Blakey and Deputy Attorneys General Patricia Orloff Erdmann and David A. Arthur, respectfully submit the following Memorandum on Damages and Injunctive Relief to provide the Court with a summary of the applicable law as well as the evidence expected to be presented at the hearing scheduled for June 9, 2009 at 9:30 a.m.

I. Introduction

On August 3, 2004, Plaintiffs filed the complaint in this action, alleging that defendants Robert A. Pastrick, James Harold Fife, III, Frank Kollintzas and other defendants managed and ran the City of East Chicago as a racketeering enterprise for a period of approximately eight years, from 1996 through 2004. According to the complaint, which requested both legal and equitable relief, the racketeering scheme began in 1996, when Pastrick, the longstanding mayor of East Chicago, started unlawfully diverting fees paid by the East Chicago casino into his own personal fund, which he then spent without authorization. Complaint, ¶ 60. The pattern of theft that began with the diversion of casino money continued through August of 2004, when the complaint was filed. Complaint, ¶ 62. One of the more blatant examples of the excesses of the

Pastrick-led racketeering enterprise was the illegal expenditure of millions of dollars to pave sidewalks and trim trees in an effort to buy votes for Pastrick in the May 1999 primary election. *See* Complaint, ¶ ¶ 67-113.

Defendant Kollintzas never filed an answer to the complaint and failed to appear at the time set for trial on May 26, 2009. Docket No. 550. Defendants Pastrick and Fife answered the complaint and participated in pre-trial proceedings, but then advised the Court that they would no longer defend the allegations and would, instead, take default judgments. *See* Docket Entry No. 543, 544, 546. Defendants Pastrick and Fife did not appear for trial and after proper notice to them and defendant Kollintzas, the Court entered default judgments against all three defendants on June 2, 2009. Docket Entry No. 559, 560, 561. The Court scheduled the hearing for determination of damages and other relief for June 9, 2009.

The racketeering activities of Defendants caused substantial economic and other harm to the City of East Chicago; indeed, the sidewalk scheme alone accounted for in excess of $25 million in damages. While the citizens of East Chicago paid an enormous economic price for the corruption of the Pastrick enterprise, equally harmful to the City were some of the structures that the enterprise put in place to divert funds, notably casino proceeds, for the personal and political gain of Pastrick and his co-defendants. The loss of public faith over the years is not easily calculated. While Pastrick has been removed from office and while the City of East Chicago has been able to unwind some of the corrupt transactions of the Pastrick enterprise, some of the devices that Pastrick and his co-schemers put in place continue to harm the City today. For that reason, at the June 9 hearing, Plaintiffs will call witnesses both to recount the workings of the Pastrick enterprise, as well as to discuss what efforts the City has taken to undo the damage caused by the Pastrick enterprise. Plaintiffs expect to establish through this testimony and evidence that the Pastrick enterprise left a harmful and costly legacy that the City has not been

able to overcome. Yet, because the Pastrick enterprise was never audited nor was it accountable to anyone, the amount of damages as well as the necessary and proper forms of injunctive relief, are uncertain at this point. Accordingly, Plaintiffs will request that the Court order an audit to be conducted on an expedited basis under the supervision of the State Board of Accounts, to review, assess and report back to the Court its findings as to the economic damages caused by the Pastrick enterprise, as well as any injunctive relief or remedy that is warranted to address existing problems or issues.

II. Summary of Admitted Allegations

It is well established that a court's entry of default judgment deems all well-pleaded allegations of the Complaint, apart from allegations of damages, admitted. Fed. R. Civ. P. 8(b)(6) (stating that the effect of failing to deny an allegation regarding liability is to admit the allegation); *see also, e.g.*, *Nolen v. Dining Car Employees, Local No. 43*, 4 F.3d 997, 1993 WL 360959, at *2 (7th Cir. 1993) (table) (acknowledging defendant's admission of complaint's allegations upon the unchallenged entry of a default judgment); *In re Redmond*, 399 B.R. 628, 632 (Bkrtcy. N.D. Ind. 2008) (stating that a defendant's default caused plaintiff's factual allegations to be admitted as true). The allegations in the instant complaint, now admitted, provide an overview of the racketeering enterprise. Those allegations are summarized herein as background for the Court and in order to put in context the evidence to be presented at the June 9 hearing.

Defendant Pastrick was elected to serve as the Mayor of the City of East Chicago in 1971 and was re-elected every term through 2003. Complaint, ¶ 10. Defendant Kollintzas was elected in 1979 to serve as a member of the Common Council of the City of East Chicago ("Common Council") as Fourth District Councilman, and was re-elected every term through 2003. Complaint, ¶ 13. Defendant Fife was a confidant of Pastrick, who served as a Special Assistant

to Pastrick and operated the Sidewalks for Votes scheme on behalf of Pastrick and the other Defendants. Complaint, ¶ 20.

After the legislative and voter approval for the East Chicago Showboat Casino occurred in 1993-94, the City of East Chicago entered into an agreement with the casino whereby economic development payments totaling 3% of the casino's adjusted gross receipts were to be paid in the following amounts, ostensibly to benefit the City: 1 % to the City of East Chicago; 1 % to the Twin City Education Foundation (TCEF)(a private foundation); and 1% to the East Chicago Community Foundation (ECCF)(a private foundation).[1] Complaint, ¶ 52. In August of 1996, Pastrick devised an illegal system whereby the 1% fee paid to the City by the casino went into a "trust fund," over which Pastrick exercised sole power and control. Complaint, ¶ 60. The diversion of the casino payments into the "trust fund" was "an unauthorized use of East Chicago's money and property and constituted theft and knowing conversion." Complaint, ¶ 62. "This pattern of theft and knowing conversion . . . continued up to the date of [the filing of the] Complaint." *Id.*

One of the most blatant examples of theft and conversion from the City coffers occurred in the form of the Sidewalks for Votes scheme that Defendants perpetrated in 1999. In approximately June of 1998, the City's Board of Public Works had initiated a "Sidewalk Improvement Program" in order to replace concrete public sidewalks in some portions of the City. Complaint, ¶ 63. While specifications were developed for the Sidewalk Improvement Program and contractor Rieth-Riley, one of the settling defendants, submitted a bid to perform some of the work, the bid was not accepted and the Board of Public Works took no action on the proposed program. Complaint, ¶¶ 63-66.

[1] Pastrick also agreed, on behalf of East Chicago, to the diversion of an additional .75% fee to Second Century, Inc., a for-profit corporation.

In early 1999, there was a renewed effort to obtain bids for a sidewalk improvement program, but once again, no bids were accepted by the Board of Works. Complaint, ¶¶ 68-73. Notwithstanding the Board of Works' failure to approve the sidewalk program, Defendants had contractors perform millions of dollars of work on sidewalks and parking lots on public and private property beginning in February of 1999 and continuing until the primary election in early May 1999. Complaint, ¶ 74. Defendants arranged for this concrete work, as well as tree trimming work, in order to curry political favor with residents and thereby advance the political prospects of Pastrick and his slate of candidates, who were facing tough opposition in the May 1999 primary. Complaint, ¶¶ 48, 74. To circumvent Indiana bidding laws, Defendants had contractors submit invoices and bids in amounts less than $75,000 even when the proposed work was in excess of that amount. Complaint, ¶¶ 75-76. Defendant Kollintzas and other City Council members approached City residents and businesses and (1) falsely represented that the City had a duly authorized and lawful program to pay for the work being done on either public or private property and (2) offered contractors to perform the work as a means of inducing political support. Complaint, ¶ 78. On one occasion, Defendant Pastrick even authorized work at a religious institution when he met with an official of Our Lady of Guadalupe Church and guaranteed that the City would perform work for the church. *Id.* Thereafter, a contractor was paid $77,000 for the work at the church. *Id.*

In the period between mid February and June 30, 1999, the City of East Chicago paid approximately $9.1 million in public funds to concrete contractors who performed work on public, private and commercial property and approximately $1.5 million of public money to tree contractors who trimmed and cut trees on public and private property. Complaint, ¶ 79. As a result of the unlawful and reckless spending for sidewalks and tree trimming, Defendants had entirely depleted the City's General Fund by May 1999, at which time the City's General Fund

bank account was overdrawn by several million dollars. Complaint, ¶ 85. At that time, National City Bank refused to honor numerous City of East Chicago checks. Complaint, ¶ 87. Defendants Raykovich and Fife directed contractors to stop all work and in some instances, contractors apparently walked away from job sites, leaving work unfinished, and in some cases, leaving behind dangerous and hazardous conditions for City residents from the unfinished sidewalk, driveways, patios and porches. Complaint, ¶ 87.

Once the City's General Fund was depleted and its bank account overdrawn, Defendants embarked on a "second stage" to finance the sidewalk scheme. Complaint, ¶ 88. First, Defendants tapped into the casino trust fund money to pay millions of dollars in bills from the sidewalk and tree program. *Id.* Thereafter, Defendants arranged for corrupt bond authorizations and appropriations by the Common Council by concealing the fact that public money previously spent on the sidewalk scheme had neither been paid pursuant to properly accepted public bids, nor appropriated by the Common Council. Complaint, ¶ 89. The City Council called a special meeting on June 15, 1999, and passed an ordinance appropriating $14 million, including $13.5 million for "contractual services" and a $450,000 disbursement for "capital outlay." Complaint, ¶ 90. Defendants also orchestrated the approval of an ordinance authorizing the City to issue municipal bonds not to exceed $15 million and to issue Bond Anticipation Notes (BANs) not to exceed $15 million "to pay the cost of certain capital improvements" in East Chicago. Complaint, ¶ 90. Bond Anticipation Notes were issued in July of 1999 and generated proceeds of $13.75 million which were used to pay contractors for as yet uncompensated work related to the sidewalk scheme and to replenish City bank accounts that had been depleted as a result of the money paid to sidewalk and tree contractors. Complaint, ¶ 101.

In mid-1999, Defendants embarked on an effort to conceal and cover up the illegal sidewalk and tree program by creating false and misleading documents. Specifically, Defendants

arranged for contractor Rieth-Riley to execute a contract to perform work under the terms of their proposed 1998 Street Improvement Project bid, even though that project was by then defunct and even though the work on the bid had already been performed as part of the 1999 sidewalk project. Complaint, ¶ 96. Defendant Pastrick and the Group Manager for Rieth-Riley executed a contract titled as "Assignment of Bid and Right to Contract," which purported to assign all of Rieth-Riley's rights under their 1998 bid to the contractors who had performed work during the 1999 sidewalk program. Complaint, ¶ 97. To further cover up the fraud, Defendants prepared and executed backdated contracts which purported to show that the respective sidewalk contractors had entered into legally binding agreements to perform work in July 1998. Complaint, ¶ 99. After the signing of these contracts, which set a unit pricing rate for concrete services, three of the contractors, Calumet, H&Y Maintenance, and Roger & Sons, complained about the set rates and Defendants arranged for these contractors to be paid an additional $2.3 million; the City did not pay similar funds to the other contractors. Complaint, ¶ 107. Based on the rates set in the contracts, two of the contractors, JGM and Windstorm, had been overpaid for the work they had performed. Complaint, ¶ 110. However, Defendants failed to collect the money and property owed to East Chicago by JGM and Windstorm. *Id.* Notably, JGM had built political signs and performed other work for various East Chicago officials before the primary election. *Id.*

The fraudulent conduct exemplified by the 1999 sidewalk program was not an anomaly, but rather, "constituted a regular way of doing business" for Defendants during the pendency of the enterprise . . ." Complaint, ¶ 124. During the next election cycle, in 2003, Defendants engaged in "pervasive, illegal conduct and violation of election laws," as determined by Indiana Special Judge Stephen King, who heard a challenge to the election brought by George Pabey, Pastrick's challenger. Complaint, ¶ 133. Notably, Judge King ruled that the Pastrick

organization engaged in a massive effort to buy the votes of absentee voters in the 2003 election either by giving or promising them money. Complaint, ¶ 131. Thus, the fraud that characterized the 1999 sidewalk program was not an isolated event, but rather "constituted a regular way of doing business" by winning elections "through deceitful, dishonest and felonious conduct." Complaint, ¶ 138.

III. Summary of Federal Law on Damages and Injunctive Relief for Racketeering Violations

Defendants, by virtue of the default judgments, have admitted their liability for substantive violations of the federal racketeering law, under 18 U.S.C. § 1962(c), (first Claim for Relief, at paragraphs 139-148 of complaint), as well as a violation of federal racketeering conspiracy, under 18 U.S.C. §1962(d), (second Claim for Relief, at paragraphs 149-156 of complaint). Defendants have also admitted their liability for state racketeering offenses, in violation of Indiana Code § 35-45-6-1, (third Claim for Relief, at paragraphs 157-167 of complaint) and state civil recovery for crime victims pursuant to Indiana Code § 34-24-3, (fifth Claim for Relief, at paragraphs 173 – 178 of complaint).

The federal racketeering statute provides for the mandatory recovery of treble damages, costs and attorneys' fees to an aggrieved party:

> Any person injured in his business or property by reason of a violation of section 1962 of this chapter may sue therefore in any appropriate United States district court and *shall recover* threefold the damages he sustains and the cost of the suit, including a reasonable attorney's fee . . ..

18 U.S.C. § 1964(c) (emphasis added). The Supreme Court has made it clear that in assessing remedies under RICO, the statute is to be read "broadly." *Sedima v. Imrex Company, Inc.,* 473 U.S. 479, 497-98 (1985). RICO is to "'be liberally construed to effectuate its remedial purposes.'" *Id.,* quoting *United States v. Turkette*, 452 U.S. 576, 586-87 (1981). Uniquely, too, RICO has a statutory liberal construction clause, applicable to the implementation of the statute's

remedial purposes. Pub.L. No. 91-452, § 904(a), 84 Stat. 947 (1970)("liberally construed to effectuate its remedial purposes"). *See also Bridge v. Phoenix Bond & Indem. Co*., 128 Sup. Ct. 2131, 2143 (2008) (refusing "to adopt narrowing constructions of RICO").

Both the federal and state RICO statutes also authorize the Court to grant significant equitable relief to address Defendants' violations. Specifically, 18 U.S.C. § 1964(a), gives district courts authority

> to prevent and restrain violations of [RICO] by issuing *appropriate* orders, including, but not limited to: ordering any person to divest himself of any interest, direct or indirect, in any enterprise; imposing reasonable restrictions on the future activities or investments of any person, including, but not limited to, prohibiting any person from engaging in the same type of endeavor as the enterprise engaged in, the activities of which affect interstate or foreign commerce; or ordering dissolution or reorganization of any enterprise ....

18 U.S.C. § 1964(a)(emphasis added). The language of §1964(a) makes clear that Plaintiffs may pursue a broad range of equitable remedies, and both relevant case law and the legislative history of RICO establish that the equitable remedies enumerated are "not exhaustive." S. Rep. No. 617, 91st Cong., 1st Sess. 160 (1969); H.R. Rep. No. 1549, 91st Cong., 2d Sess. 57 (1970).

Notably, the Seventh Circuit has held that RICO's equitable remedies are available in private civil actions. *National Organization for Women, Inc. v. Scheidler*, 267 F.3d 687 (7th Cir. 2001) (holding that plain reading of RICO supported availability of private equitable relief). As the Court recognized, §1964(a) "spell[s] out a non-exclusive list of the remedies district courts are empowered to provide in such cases, and permitting civil plaintiffs to pursue this broad range of remedies is consistent with "Congress's admonition that the RICO statute is to be 'liberally construed to effectuate its remedial purposes.'" *Id.* at 697-98 (citations omitted) The Supreme Court similarly noted that Congress, in enacting RICO, intended to "encourag[e] civil litigation to supplement Government efforts to deter and penalize the . . . prohibited practices. The object of civil RICO is thus not merely to compensate victims but to turn them into prosecutors,

'private attorneys general,' dedicated to eliminating racketeering activity." *Rotella v. Wood*, 528 U.S. 549, 557 (2000).

Given RICO's broad remedial purpose, federal courts have imposed a correspondingly broad range of criminal and civil remedies to address RICO violations. For example, in *United States v. Horak*, the Seventh Circuit approved the criminal forfeiture of a defendant's job, salary, bonuses, and pension plans to the extent they were acquired or maintained in violation of RICO. 833 F.2d 1235 (7th Cir. 1987). The Court reasoned that "[a] RICO defendant should be separated from any employment position that afforded him the opportunity to engage in the racketeering activity for which he was convicted. " *Id.* at 1242. If a particular interest, such as a pension payment or portion thereof, would not have been acquired but for a defendant's racketeering activities, then that interest should be forfeited. *Id.* at 1243. Likewise, if a defendant would not have held or kept a position but for racketeering activities, his entire salary and benefits earned after that point must be surrendered. *Id. Accord, Pidcock v. Sunnyland America, Inc.,* 854 F.2d 443, 446-48 (11th Cir. 1988)(measure of civil disgorgement limited to funds not acquired by special efforts of violator). The range of available civil remedies was also aptly illustrated in *United States v. Local 30, United Slate, Tile, and Composition Roofers*, *Damp and Waterproof Workers Association*, 686 F. Supp. 1139 (E.D. Pa. 1988), *aff'd*, 871 F.3d 401 (3rd Cir.), *cert. denied,* 493 U.S. 953 (1989). In that case, a civil action following the conviction of various union leaders, a district court preliminarily enjoined the defendants from holding union leadership positions and employment in the construction industry within the union's jurisdiction. *Id.* at 1171-72. The court also appointed a monitor to enforce and oversee the terms of injunction and ordered an audit of the enterprise in light of the fact that union business had been conducted through a pattern of racketeering for years. *Id.* The district court imposed the monitor in lieu of a trusteeship, a more extensive remedy, which is widely employed in the union

corruption area. *See, e.g., United States v. Local 560, Int'l Bhd of Teamsters,* 581 F. Supp. 279 (D.N.J. 1984), *aff'd*, 780 F.2d 267 (3d Cir. 1985), *cert. denied*, 476 U.S. 1140 (1986).

To prevent and restrain RICO violations, a court may impose a constructive trust, a broad equitable remedy that courts flexibly apply to prevent unjust enrichment in a wide range of circumstances. *Dayton Monetary Assocs. v. Donaldson, Lufkin & Jenrette Sec. Corp.,* 1995 WL 43669, at *5 (S.D. N.Y. Feb. 2, 1995) (denying motion to dismiss Plaintiffs' claim for a constructive trust to recover fees paid to defendants involved in racketeering). Indeed, a constructive trust may be imposed despite a defendant's claim that the allegations of the complaint bear no direct relationship to the property a plaintiff seeks to recover. *Am. Motor Club, Inc. v. Neu*, 109 B.R. 595 (E.D. N.Y. 1990). As the Supreme Court has emphasized, "the scope of the district's equitable powers to remedy past wrongs is broad, for breadth and flexibility are inherent in equitable remedies." *Swann v. Charlotte-Mecklenberg Bd. of Ed*., 402 U.S. 1 (1971) (school desegregation order).

It should be emphasized that the forward-looking nature of injunctive relief does not significantly limit this Court's authority to order divestment, restitution, or any other means of recovering funds lost through Defendants' pattern of racketeering. *See Porter v. Warner Holding Co.*, 328 U.S. 395, 400 (1946) ("Future compliance may be more definitely assured if one is compelled to restore one's illegal gains . . ."); *see also United States v. Lane Labs USA*, 427 F.3d 219, 229-30 (3d Cir. 2005) (noting that restitution serves a forward-looking deterrent function that is embodied in the district court's authority to restrain violations of federal law); *United States v. Carson*, 52 F.3d 1173, 1182 (2d Cir.1995) (concluding that RICO's broad purpose permitted ordering disgorgement to prevent and restrain future conduct); *Richard v. Hoechst Celanese Chemical Group,* 355 F.3d 345, 355 (5th Cir.2003) (agreeing with Second Circuit that disgorgement may prevent future violations of RICO); *contra United States v. Philip*

Morris USA, Inc. 396 F.3d 1190,1200 (D.C. Cir. 2005) (disgorgement not within RICO, because it is not forward-looking, remanded for hearing on liability and forward-looking remedies), *aff'd,* 2009 U.S. App. LEXIS 11008 (May 29, 2009).

Finally, the civil remedies available to this court for violations of Indiana's RICO statute are similarly broad; each statute provides for "appropriate" remedies. Specifically, I.C. 34-24-2-1 provides that a court may order divestiture of any interest in any enterprise or property, prohibit a defendant from engaging in the business in which the subject enterprise was engaged, suspend or revoke any license of the subject enterprise, or "make any other order or judgment that the court considers appropriate" taking into consideration "the rights of innocent persons." Thus, both the federal and the state stature include catch-all provisions that make clear that the long list of available remedies is not intended to limit the relief available. Indeed, the provisions vest the Court to award whatever relief is "appropriate" to remedy the violations that have occurred.

IV. Summary of Evidence to be Presented at Hearing on Damages and Remedies

The allegations in the complaint, now admitted, establish that the Pastrick enterprise engaged in an eight year "pattern of theft and knowing conversion." At the June 9 hearing, Plaintiffs intend to call Defendant Edward Maldonado to describe the scope and breadth of the racketeering activity committed by the Pastrick enterprise. Plaintiffs also expect to call one or more current East Chicago officials to describe the financial condition of the City at the time Pastrick was removed from office, as well as the efforts taken to remediate the host of problems caused by the Pastrick enterprise. Plaintiffs will also call a former IRS agent to testify as to the economic damages incurred as a result of the sidewalk and tree program. Finally, Plaintiffs may call one or more officials of the State Board of Accounts to testify as to the financial impact of the Pastrick enterprise.

The 1999 sidewalk and tree program was one of the more egregious examples of the misuse of public funds by the Pastrick organization, but it was by no means isolated or unique. During the years of Pastrick's reign, government funds and resources were used on a regular basis for the personal and political benefit of Pastrick and his political operatives. In essence, governmental offices in the City of East Chicago were highjacked by the Pastrick political organization to serve Pastrick's personal or political interests, with taxpayers footing the bill. Political strategy meetings and other business were regularly conducted at governmental offices. Political records and funds were also kept at governmental offices. Public jobs were often used as a payback for political support. The linkage between political involvement and government employment was underscored by the fact that City job applications included a signature line for the applicant's political sponsor.

The Pastrick organization was brazen in its use of City jobs to buy votes and reward political operatives. Typically, in the months leading up to a contested election, the City payrolls would grow to boost Pastrick's election chances. Similarly, governmental promotions and raises were used to reward political operatives in the period leading up to an election. City employees were expected to contribute a certain percentage of their wages to finance the Pastrick political organization. As a result of the blatant and regular use of government employment to reward political operatives, the numbers of City employees mushroomed during Pastrick's tenure, and more than 1000 City employees were working for East Chicago, even though its population hovered around only 30,000. Many employees had city-provided automobiles. Not surprisingly, given the bloated payroll of the City, many workers had little or nothing to do.

The 1999 sidewalk and tree program demonstrates both the brazenness and incessant greed of the Pastrick organization. The Pastrick forces wantonly spent approximately $25

million in public funds in an unabashed effort to buy votes.[2] The campaign theme in 1999 featured "hard hats" which symbolized the capital improvements that were the center piece of the Pastrick campaign. The sidewalk and tree program not only looted the City coffers for political purposes, it also used the money to reward political operatives, by doling out the concrete and tree work to contractors who were contributing resources and other support to the Pastrick campaign. After depleting the General Fund of the City to pay for the illegal program, Defendants then raided the casino trust fund money to cover the cost of the extravagant program. Defendants approved the issuance of Bond Anticipation Notes to raise sorely needed revenue for the City. Then, to add insult to injury, Defendants Fife and Raykovich took $75,000 fees from the City for their "services" in connection with the Bond Anticipation Notes, which, of course, would never have been necessary had Defendants not committed the sidewalk fraud to begin with.

Even after the public exposure of the sidewalk program and in spite of the precarious financial position of the City, Defendants still used the opportunity to reward politically favored contractors by giving them better settlements than other contractors and by intentionally failing to seek or obtain any restitution for large overpayments made to these politically favored contractors as part of the sidewalk program.

During the racketeering enterprise, Pastrick repeatedly used public funds to provide substantial financial rewards for his close friends and family. Under Pastrick's watch, one of his sons was hired by the City and another son was given a lucrative lease. Members of Pastrick's inner circle were, on a number of occasions, given lucrative personal services contracts. Notably, both Defendant Raykovich and Defendant Fife were paid hundreds of thousands of dollars,

[2] In the related federal criminal case, *United States v. Kollintzas et al.,* 3:03-CR-0091, defendants were ordered to pay $25,588,835.98 in restitution to the City of East Chicago for their fraud in connection with the sidewalk and tree scheme.

directly or indirectly, through personal services contracts.[3] These contracts were classic examples of self-dealing with no one watching out for the City's interests and Pastrick's cronies essentially negotiating the terms of these contracts for both sides of the transactions – theirs and the City's.

The Pastrick enterprise also looted the casino money for personal and political benefit, with precious little casino money going to the intended purpose of economic development for the City. In 1994-1995, Pastrick and his operatives set up a structure for the disbursement of casino funds that essentially gave Pastrick full control over the funds. Money that should have been used for the capital improvements or economic development in East Chicago was, instead, used to pay stipends to Pastrick cronies or to achieve other personal or political objectives of the Pastrick organization. Millions of dollars in fees paid by the casinos were squandered in this fashion and the structure set up by Pastrick to divert casino proceeds endures even after his political demise. To this day, the citizens of East Chicago continue to watch other Northern Indiana cities use casino money for substantial capital improvements, while the money that East Chicago should have been receiving from the casinos is diverted to other interests by virtue of the corrupt system put in place by the Pastrick enterprise.

V. Conclusion

Defendants have, in accepting default judgments, admitted their involvement in a far-reaching racketeering enterprise that inflicted millions of dollars of damage on the City and citizens of East Chicago. The governing racketeering statute, Title 18, United States Code, Section 1964, requires imposition of treble damages, costs and reasonable attorneys' fees. In addition, the statute authorizes the Court to impose appropriate injunctive relief to address the

[3] Defendant Fife pled guilty to tax charges before this Court emanating from concealed contracts that he had with the City of East Chicago. United States v. Fife, No. 2:04-CR-60(1) JTM.

damage inflicted by the racketeering enterprise. While some of the financial damage caused by the racketeering enterprise is readily ascertainable at this point, some of it is not by virtue of the fact that the racketeering enterprise conducted its activities with no "accounting" or annual reports. In order to ensure that the Judgment imposes damages that most accurately reflect the costs actually inflicted by the racketeering enterprise and further, to ensure that any injunctive relief is both appropriate and necessary to remedy any lingering problems or issues caused by the enterprise, Plaintiffs respectfully request that the Court order an audit to be undertaken under the supervision of the State Board of Accounts. Said audit should be completed and returned to the Court and the parties in a reasonably expeditious manner. The audit shall assess, among other things, the current financial condition of the City of East Chicago, the amounts and purposes of casino funds disbursed under the existing agreements that East Chicago has with the casino, as well as any other structural or systemic problems in the City of East Chicago or in its agreements with the casino that justify the Court's exercise of its equitable powers.

Respectfully Submitted,

ATTORNEYS FOR PLAINTIFFS:

/s/ Patrick M. Collins

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CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of June, 2009, a copy of the foregoing Plaintiffs' Memorandum on Damages and Injunctive Relief was filed electronically. Notice of this filing will be sent to the following parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

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I further certify that I have caused the foregoing to be served by United States First Class Mail, postage prepaid, upon the following CM/ECF non-participants:

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